

DRAFT MINUTES
STATE OF CONNECTICUT
MUNICIPAL ACCOUNTABILITY REVIEW BOARD
SPRAGUE SUBCOMMITTEE
SPECIAL MEETING

Meeting Date and Time: Thursday, March 30, 2020 10:00 – 11:30 AM

Meeting Location: Meeting was held telephonically. Meeting materials can be found at <https://portal.ct.gov/OPM/Marb/Sprague-Committee-Meetings-and-Materials>

Members Participating: Kim Kennison (OPM Secretary designee), Christine Shaw (State Treasurer Designee), Mark Waxenberg

Municipal Officials/Staff: First Selectman Cheryl Blanchard, Melissa Seigny, Superintendent William Hull, Michele DeMicco

Audit Agency: Hoyt, Filippetti & Malaghan: Jason Cote, Audit Manager and Sue Jones, Partner

I. Call to Order

Due to the conference line crashing, not all subcommittee members attempting to participate were able to connect. As a result, there was no quorum for the meeting. The meeting began at 10:20.

II. Approval of Minutes of January 30, 2020 Subcommittee Meeting

No action was taken on minutes because of the lack of quorum.

III. Review and discussion: FY 2019 Audit

Jason Cote, Audit Manager for Hoyt, Filippetti & Malaghan, provided an overview of the audit process and financial results for FY 2019. An unmodified report, or clean opinion on the Town's financial statements was issued by the auditor. On the government-wide Statement of Net Position, most of the Town's equity is composed of investment in capital assets. The Governmental Funds balance sheet reflects a General Fund deficit of (\$819,291) as of 6/30/19. This is a reduction of \$264,953 in the size of the deficit compared to the prior year resulting from an operating surplus in FY 2019. The surplus was attributable primarily to a one-time revenue from the sale of scrap metal from a foreclosed industrial property. The Capital Nonrecurring Fund incurred a deficit in FY 2019 and is carrying a negative fund balance of (\$451,523) as of 6/30/19. The change from a positive fund balance as of 6/30/18 to the negative fund balance is largely attributable to capital expenditures for which no funding had been appropriated.

Several upcoming Governmental Accounting Standards Board Statements were noted. None have taken effect yet. The auditor noted that in the FY 2020 financials, the \$325,000 proceeds from the property lease with Willimantic Waste will be treated as deferred inflow of resources and the revenue will be amortized over the life of the 99 year lease. The

impact of the lease on the balance sheet will not be as originally anticipated, but will be spread out over many years.

In the review of the State Single Audit Report, four materials weaknesses were noted. Each is a repeat finding from prior years. The subcommittee discussed each of the materials weaknesses and the status of resolving them with Town and Board of Education officials. One finding, regarding separation of duties at the water and sewer authority, has been resolved through the hiring of an additional employee to handle certain billing tasks. The resolution of that finding will be reported in the next audit. The Town and Board of Education are currently in the process of resolving a material weakness related to a lack of written policies and procedures. One finding is related to several Board of Education special revenue funds and agency funds which have not been maintained in a general ledger. The BOE has developed a plan to begin managing each of these funds in the general ledger. A finding related to lack of internal controls within the Child Nutrition Fund is also being resolved by the BOE with the Business Manager taking on more oversight of the fund. One previously reported materials weakness regarding communications and monitoring of the budget was resolved and closed last fiscal year prior to the audit.

The Single Audit also reported two findings related to State grants. One is the result of overdue grant reports from the Town and the other is a requirement to install signage at a grant funded project. The Town is moving forward on resolving both of these issues.

IV. Review and discussion: FY 2021 Board of Education proposed budget

The Superintendent provided an overview of the proposed budget for FY 2021. The proposed budget requests an increase of \$226,920, or 3.48% over the current year budget. The proposal includes some staffing increase, including a half full time equivalent (FTE) technology teacher, enhancing the Director of Pupil Services to a full time position, and increasing office support by one half FTE. Members discussed the changes in tuition costs and savings driven by enrollment reductions. The district has also been gradually limiting the number of high school options for students. Norwich Free Academy is the designated option, but the district may offer other schools if the cost of transportation is covered by the receiving district. Approximately 85% of Sprague high school students attend Norwich Free Academy. Ms. Shaw asked about the experience and impact of transitioning to remote learning during the public health emergency. Ms. Demicco explained that the immediate cost impact has been manageable, as much of the online learning software being used has been free. Current projections are for a year end balance of about \$170,000, but the figure is subject to change as conditions evolve.

V. Adjourn

The meeting adjourned at 11:15 AM.